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TAGS: [ECON](#) [EINV](#) [SR](#)
SUBJECT: SERBIA-\$520 MILLION BANKRUPTCY AUCTION
HIGHLIGHTS INVESTOR INTEREST IN THE SERBIAN
MARKET

REF: BELGRADE 1396

SUMMARY

11. On October 29 Verano Motors bought bankrupt department store chain "Robne Kuce Beograd" for \$520 million in the fifth largest privatization deal in Serbia. Verano's offer prevailed over nine other bidders including two U.S. investment firms and well-known Serbian business tycoons. The purchase gives Verano 38 stores and facilities located on prime real estate in Serbia. END SUMMARY.

THE SEARS & ROEBUCK'S OF SERBIA SELLS FOR \$520
MILLION

12. On October 29, Econoff attended the hotly contested public auction in which Verano Motors bought department store chain "Robne Kuce Beograd" (RKB) for \$520 million, making it the fifth largest privatization deal in Serbia's history. Verano Motors, a Peugeot car distributor, is finalizing financial backing from Greek firm Marfin Investment Group. Verano outbid nine other participants, including U.S. firms Merrill Lynch and NCH Capital Partners. The purchase gives Verano 38 stores and facilities across Serbia and includes several properties in Montenegro, totaling almost 240,000 square meters of premium real estate. RKB stores are located in city centers across Serbia - including in Belgrade's pedestrian zone and fashion centers - making them some of the most attractive real estate in the country. Radomir Zivanic, owner of Verano, announced his plans to invest an additional \$101 million into the chain to restore RKB to its former glory.

The Auction Process

13. The Privatization Agency offered RKB, once the largest chain store in the former Yugoslavia and third largest in Europe, at a starting price of \$200 million. The chain went into bankruptcy in 2002 after suffering through the high inflationary period of the mid-1990s with little government help.

14. The lead up to the RKB auction was not as

smooth as it could have been. On November 1, Econoff met with advisors to the Privatization Agency (PA), Hugo Green and Wojtek Mlodziejewski. According to Green and Mlodziejewski, the PA provided RKB's financial and business data two weeks late for investors' due diligence. Most of the information was only available in the Serbian language. In addition, gaining access to company documents in the data center was time limited, further hampering potential investors' ability to analyze the value of the company. Only 10 bidders, out of the more than 40 who purchased tender documents, posted the \$58 million bond to participate in the auction. Most bidders were made up of partnerships between international and domestic investors, including the usual cadre of Serbian tycoons who hid behind company names registered abroad.

THE MYSTERY BEHIND BIDDERS

¶5. According to real estate consultant Vladimir Mrvic, few details are known about the new owner of RKB, Radomir Zivanic. Nicknamed 'The Boss,' Zivanic is known as a street tough, no nonsense, savvy tycoon who dabbles in car sales and real estate. His life before opening his first dealership is a mystery as are his dealings while living in Greece 2000-2003. According to Mrvic, Zivanic made his fortune during the Milosevic era smuggling contraband. Today he is the sole distributor of Peugeot cars in Serbia. Zivanic entered the real estate business about six years ago and now has several attractive properties

around Belgrade, including land downtown on which he is building the Zira Shopping Mall.

¶6. Bidding entity names were intentionally obscure and were not released prior to the auction. It is still unknown who is really behind many of the bidders. There was no doubt, however, that many of Serbia's powerful tycoons discreetly partnered with international and local investors in an attempt to circumvent anti-trust laws and tax obligations. A little digging pulled up Delta Holdings giant Miroslov Miskovic bidding via Balkans Real Estate. Miodrag Kostic (who made his money in sugar) and Filip Zepter (among the richest of Serbia's tycoons) partnered under bidding entity Aida Asset Association and Home Art and Sales Services. Still unaccounted for, but believed to have participated, is Milan Beko. (See Reftel for information on Serbian tycoons.)

MORE THAN JUST A DEPARTMENT STORE

¶7. Urban real estate in Serbia is expensive due to a dearth of supply, bottlenecks in the bureaucracy, and land restitution claims. Selling and leasing individual RKB properties could yield high profits for Zivanic, which would explain RKB's high selling price. Besides being a potentially lucrative investment, Zivanic attaches sentimental value with his purchase, stating that Verano "...will return glory to Robne Kuce Beograd. I am Belgradian and I am personally behind this business. I wish to work in Serbia and I wish for people to trust me."

COMMENT

¶7. The sale of RKB was significant for many

reasons. The government earned a substantial sum from the sale, highlighting the benefits of moving more companies through the bankruptcy and privatization process. It was the first time a bankrupt company was privatized through a public auction. It is also the first time a domestic investor has acquired a company of this magnitude. The purchase is also one of the few major challenges to Delta Holdings' significant holdings on the retail industry. With additional investment and financial backing, Verano owner Zivanic may realize his goal of bringing prestige back to the debt-ridden RKB as well as bringing greater competition to the market. End Comment.

MUNTER